

**State Employee Benefits Committee  
Tatnall Building, Room 112  
Dover, Delaware 19904**

The State Employee Benefits Committee met February 6, 2017. The following people were in attendance:

**Committee Members:**

Mike Jackson, Director, OMB  
Rick Geisenberger, Secretary of Finance  
Keith Warren, Designee of the Lt. Governor  
Molly Magarik, Designee of DHSS  
Omar Masood, Designee of the Treasurer's Office  
Mike Morton, Controller General  
Trinidad Navarro, Insurance Commissioner  
Evelyn Nestlerode, Designee of Chief Justice, Administrator of Courts

**Guests:**

Brenda Lakeman, Director, SBO  
Faith Rentz, Deputy Director, SBO  
Lisa Porter, SBO  
Jennifer Bredemeier, Univ of DE  
Ronald Burrows, DRSPA  
Lisa Carmean, City of Milford  
Mark Chrencik, GlaxoSmithKline  
David Craik, Pension  
Mitch Crane, DOI  
Karin Faulhaber, PHRST  
Jacqueline Faulcon, DRSPA  
Darcell Griffith, Univ of DE  
James Harrison, DSEA-R  
Chris Hawkins, City of Dover

**Guests (continued):**

Leighann Hinkle, SBO  
Lisa Howsel, GSK Pharmaceuticals  
Andrew Kerber, DOJ  
Russell Larson, The Byrd Group  
Regina Mitchell, OMB  
Karol Powers-Case, DRSPA  
Casey Oravez, OMB, Financial Ops  
Paul Taylor, DRSPA  
Jim Testerman, DESA-R  
Jennifer Vaughn, DOI  
Valerie Watson, Finance  
Drew Wilson, Med Society-Morris James

Lauren Morhard, Aetna  
Andrew Brancati, Highmark  
Jennifer Mossman, Highmark  
Pamela Price, Highmark  
Carrie Schiavo, Delta Dental  
Walt Mateja, Truven Consulting  
Kevin Fyock, Willis Towers Watson  
Chris Giovannello, Willis Towers Watson  
Jaclyn Iglesias, Willis Towers Watson  
Rebecca Warnken, Willis Towers Watson

**Introductions/Sign In**

Director Jackson called the meeting to order at 2:02 p.m. Introductions were made.

**Approval of Minutes** - handout

Director Jackson entertained a motion to approve the minutes from the January 23<sup>rd</sup> SEBC meeting. Secretary Geisenberger made the motion and Controller General Morton seconded the motion. The motion carried.

**Director's Report** – Brenda Lakeman, SBO

The 1095C forms for the Affordable Care Act reporting were mailed February 1, 2017. Pensioners and participating groups receive a 1095B form which have been mailed. Files to be sent to the IRS by the due date of end of March.

**Financial Reporting**

**December Fund & Equity Report** - handout – Casey Oravez, Financial Operations

The federal reinsurance payment did not come in until January, so the YTD shows this as outstanding and prescription drug (Rx) rebate budgeted for December actually came in January. Revenue looks low for December but will even out in January's report. Operating expenses show Highmark claims trending lower than budget, mostly timing with the holiday in November; then appear over for December which evens out between the two months. The F&E balance for December is a little over \$47M and about \$900K under the claim liability.

**FY17 Qtr 2 Financial Reporting** – handout - Willis Tower Watson (WTW)

Rebecca Warnken provided a financial update on the FY17 Q2. The program is running at approximately 92% of the \$400.2M budget or 8.1% below budget, resulting in a surplus of \$32.6M. The 2Q data is below budget similar to last year. Overall medical and Rx costs per employee increased 6.6% over first two quarters of FY2016 and are projected to

increase 4.5% over the full fiscal year. Rates were set higher for the current fiscal year given there was no reserve and in order to build reserve back up.

### **GHIP FY18 Budget Projections - FY17 Q2 Update**

The program overall is trending along national average. Revised budget reflects on projected fiscal year (FY) 2018 budget. At the last meeting, the projection was \$781.7M for a 2% decrease. The revised budget reflects the actual GHIP claims experience through December as well as a re-projection of the ESI contract savings after WTW conducted an analysis, now looking at a FY18 budget of \$799.3M. The four components contributing plus or minus to the budget increase were explained further. Highlights include seeing a 3.5% decrease in claims experience, a \$3M savings with the medical TPA RFP, and the ESI pharmacy contract savings of \$26.5M. The claims experience and trends assumption were further explained. WTW recommends trends in the range of 6 to 7% for medical and 10 to 12% for Rx. The impact to the budget for the full range of these trends were reviewed with additional dialogue around fluctuation.

### **Group Health FY18 Planning – handout - Willis Tower Watson (WTW)**

WTW created a placemat that displays the strategic elements discussed over the past six months for reference.

The projected health care costs with a trend value of 6% through the year of 2023 were shown with the projected plan shortfall at \$270M in 2023 as health care costs increase and assuming no changes. A restatement of Governor Markell's proposed budget with savings estimates were outlined with total savings of \$24M. The elimination of the Double State Share would yield a savings of \$3.50M to the general fund and not the GHIP. Jaclyn Iglesias presented in more detail the potential cost savings tools and short and long term cost control opportunities that tie back to the strategic plan for FY2018 and FY2019. Some recommendations include an active enrollment as those employer groups doing this now see higher levels of engagement yet this would require legislation. WTW to provide as a follow-up an average statistic for a plan the size of the SOD. Currently the GHIP has about 20% to 25% of State employees accessing their plan elections during annual enrollment; however, it cannot be determined what benefit plan (medical, dental, vision) they are reviewing and/or modifying. There is no current assistance to guide the member which is the point of myBenefitsMentor tool to be implemented for this annual enrollment. Potential modifications for FY2019 were outlined by Ms. Iglesias. Ms. Lakeman provided the enrollment process with specific timelines.

SEBC agreed upon a long-term strategic plan for the GHIP with the aim of reduced costs and improved consumer activation. Three of the elements are already planned for FY2018 to yield an estimated general fund savings of \$5.1M including \$3.0M for improved consumerism. Other elements were also included in the FY18 Governor's proposed budget. Some of these opportunities may not be effective July 1, 2017, savings shown represent adoption during FY18 but do not capture future opportunities for additional savings beyond FY18 (trend reduction in FY19 and later). An outline showed selected areas of potential savings from the strategic framework. Default enrollment options for FY2018 were presented with considerations. Major consideration for members is cost in choosing another plan. An average level of disruption is expected for members moving to a different provider. This disruption has been provided to Aetna who is actively working on trying to contract with those providers. The recommendations for default enrollment was reviewed. An anticipated vote on the default option is targeted for the February 20 meeting. Controller General asked that prior to the default option vote being taken, to know more about the level of disruption that would occur for members moving from Highmark to Aetna.

Director stated the path forward at the next meeting is to continue to focus on FY18 planning and further review of the alternatives presented today. Second piece is the default option. Committee members were encouraged to contact the SBO for any additional items to be modeled or considered.

### **Public Comments**

Jim Testerman, DSEA-R, expressed concern over the premiums, increasing health care costs causing the surplus to be depleted, placing the burden on State employees and retirees with no pay increases over the last eight years and what was received, was depleted by increasing premiums and co-pays. The notion of large deductibles is very troubling. Since retirees use the most medical benefits, it will be like a tax on retirees. State employees and unions will fight this.

Ronald Burrows, DRSPA, asked if the comment of medical retirees are 18% below budget is correct; which it was for the six month review period for those over 65.

Karol Powers-Case, DRSPA, asked the committee to keep in mind before increasing contributions for retirees that those who are older have much smaller pensions.

**Other Business**

None

**Motions**

None

Director Jackson stated the next meeting is February 20, 2017 and asked for a motion to adjourn the meeting. Controller General Morton made the motion and Ms. Magarik seconded the motion. Meeting adjourned at 3:32 pm.

Respectfully submitted,

Lisa Porter  
Statewide Benefits Office